

KHIND HOLDINGS BERHAD (380310-D)

Manufacturer & Marketer for



annual report • laporan tahunan 2012

KHIND HOLDINGS BERHAD (380310-D)



rationale

This year's cover depicts Khind Holdings Berhad's aspirations of becoming a more global company as it widens its business operations regionally and globally. Just as the fluffy white dandelion seeds that float in the wind to new destinations, likewise acquisitions which were completed in 2011 and 2012 coupled with opening of new markets in the North Africa region provide the impetus for Khind Holdings' plans of becoming a more global business. The cover also reflects the increasing diversity in the Company's workforce of over 800 people where 12 different nationalities are represented in various positions within Khind Holdings.

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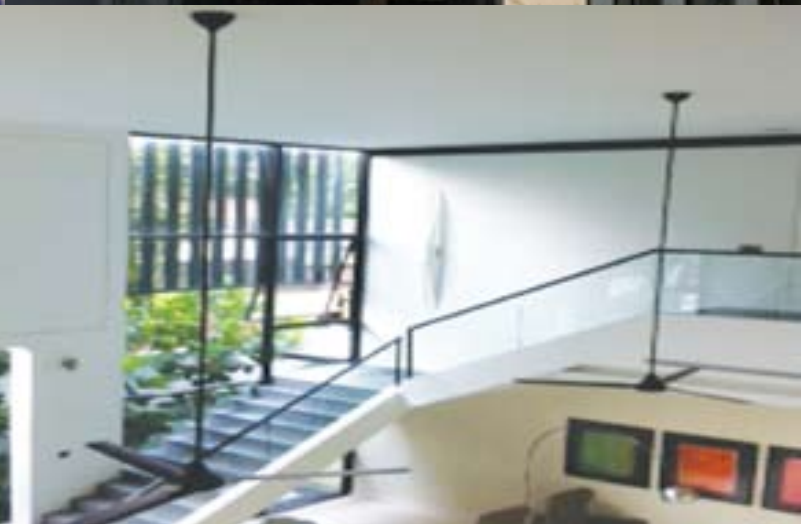
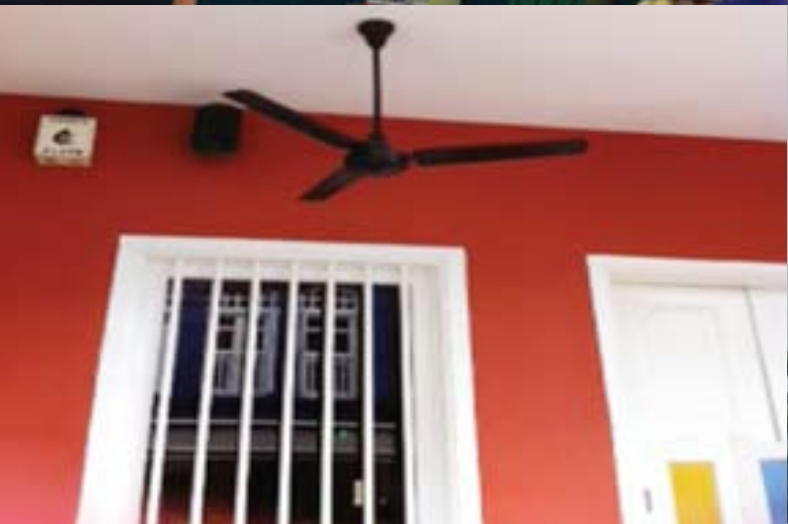
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 Philippines
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 United Arab Emirates
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KHIND
mistral

PENGEDAR BARANGAN ELEKTRIK
KHIND MARKETING (M) SDN BHD
KHIND-MISTRAL (M) SDN BHD
KHIND-MISTRAL INDUSTRIES SDN BHD



Chairman and Group Chief Executive Officer Joint Statement

Dear Shareholders,

We are pleased to present this year's Annual Report to shareholders in what has been a year underpinned by stellar performances of our newly-acquired international subsidiaries which contributed positively to overall results.

Malaysia continues to grow despite global challenges

Notwithstanding another challenging year for economies around the globe, Malaysia turned in a credible performance in terms of growth. Full year growth came in at 5.6% in 2012 versus 5.1 per cent in 2011. The better than expected growth was also helped by a slower inflation rate at 1.3% in the final quarter of 2012. Meanwhile, private sector consumption remained positive despite inflationary pressures. Domestically, an accommodative environment engendered better business confidence that also helped spur on private sector investments.

International trade in 2012

The country's manufacturing sector softened given the impact of sluggish performances of the U.S. and European economies that resulted in smaller growth in manufacturing orders all round. Malaysia was able to turn in RM702.2 billion in exports compared with RM696.1 billion in 2011. On the flip-side, a better than expected lower import bill of RM607.4 billion meant that Malaysia continued to run a trade surplus, albeit smaller as compared to 2011.

Regionally, economies of the Association of South-East Asian Nations (ASEAN) continued to perform positively despite the global uncertainty. With over 600 million inhabitants, the region's vibrancy meant that 2012 represented another year of moderate growth.

Against this backdrop, Khind Holdings Berhad was able to capitalize on better business performance as a result of its newly-acquired regional subsidiaries contributing a larger portion to overall revenue.

Positive Performance in 2012

Your Board is pleased to report that 2012 saw the Khind Group achieving its highest level revenue and profit

before tax in its 52 year history. It registered revenue of RM288.6 million for the period ended December 31, 2012, representing a 19.3% increase over the previous corresponding year of RM241.8 million.

Shareholders will also be pleased to note that the acquisitions made in 2012 and 2011 have yielded positive performances whereby these new subsidiaries contributed over 25% to overall revenue – a notable result as the Group was able to complete the integration of these businesses efficiently into the Khind family, while minimizing any interruptions to overall operations.

In terms of profit before tax, the Khind Group recorded a 25.2% increase to RM13.4 million for the year ended December 31, 2012, as compared with RM10.7 million for the previous year. The better performance was again attributable to the Group's regional subsidiaries which were able to secure sales of products and services at a higher margin; while domestically, the Group continued to streamline and increase productivity. The Group's East Malaysian operation also turned in a much better performance with improved sales from Sabah and Sarawak.

2012 also saw sales in many of the Middle East markets returning to positive territory as many countries faced better prospects post-Arab spring. For instance, the Group was able to return and capture sales in Libya. A remarkable achievement given 2011 saw no sales whatsoever in that country. Other markets that also turned in better performances were the Kingdom of Saudi Arabia and the United Arab Emirates (UAE). 2013 will see the Khind Group strengthening its grip further in the Middle East region, and opening new markets in North Africa.

Overall, most of the Group's subsidiaries achieved their top-line and bottom-line targets, thus resulting in a better performance for 2012.

A Regional Player taking shape

While the Group continues to grow, it recognized a need to evolve to serve a wider market. Thus, in 2011 and 2012, the Group's newly-acquired businesses allowed it to move into the regional space.

The Group through its new subsidiaries: Khind Electrical (Malaysia) Sdn Bhd; Khind Systems (Singapore) Pte Ltd; and Khind Electrical (Hong Kong) Limited - was able to branch out into the industrial electrical and energy sector, and also large project-based contracts. With expertise in the areas of industrial and commercial transformers; solar energy street lighting equipment; and specialized industrial energy and cleaning applications - the Group diversified its client base to include commercial customers through these subsidiaries. Since acquiring the businesses in 2011, the Group is pleased to note that these companies have played a strong role in delivering new revenue streams to the Group. The Group expects this side of the business to grow even further as there is good potential for the industrial electrical and energy solutions sector in the region.

Similarly, the Group's acquisition of Mayer Marketing Pte Ltd (MMPL) in 2012 also yielded positive results. With six retail stores on the island republic and one in Brunei, and a proud heritage since 1987- MMPL certainly added another dimension to the Group's consumer electrical appliances business. Known as a premium retail consumer electrical appliances re-seller, MMPL allowed the Khind Group to have a brand presence in the minds of a more affluent and discerning consumer. Distributing up-market brands such as: KitchenAid, Ariston, Bugatti, and Indesit - leading European and American brands, MMPL provided the ideal platform for the Khind Group to become an even more complete provider of home electrical appliances. More importantly, the Group is able to have access directly to the end-consumer through the retail stores to cross-market new products and services in the future.

Operational and Marketing Review

As a business that is becoming increasingly global, your Board is pleased to report that the Khind Group now employs over 800 people, with almost 12 different nationalities serving in various positions.

To ensure that all personnel remained sufficiently motivated to deliver good results, the Group continued to invest in various training and development programmes involving all staff. Similarly, as a business built on fostering long-term relationships of mutual trust - the Group also invested in joint-training sessions for its trade marketing distributors. A domestic session and one held in Dubai for international trade partners saw the Group reinforce its commitment to this valuable and important group of partners. The training sessions went beyond product knowledge to include fostering deeper understanding of each other's processes and work commitments - all with the aim of strengthening trust, mutual respect and capability.

For its domestic consumer electrical appliances business, the Group invested approximately RM9.1 million in marketing and promotional activities to continue to remind Malaysians that the 'Khind' and 'Mistral' brands are proudly Malaysian while maintaining the position of being affordably-priced. A total of 55 new products were also introduced to the market in 2012 under these two brands

Deepening its presence in key export markets such as the Middle East, the Group participated in various trade and marketing platforms. Similarly, the Group's emergency lanterns and lights, and fans continued to lead the way in sales contribution in this region.

Supporting the Group's marketing effort is also Khind-Mistral Industries Sdn Bhd, which continued to manufacture and produce flagship products such as fans and emergency lanterns. This subsidiary was also able to play its part as an original equipment manufacturer (OEM) to leading Japanese brands, thus allowing the Group to positively utilize capacity and resources of its manufacturing operations, and expand its own revenue stream.



Doing Our Part

Since its inception in 1961, Khind and its various subsidiaries have actively participated and given back to the community at large. 2012 saw even more active engagement through various corporate responsibility (CR) activities.

The Group continued to visit various orphanages and homes for the less fortunate; while staff volunteered their assistance to a Klang Valley-based soup kitchen, and various other charitable programmes.

Likewise, the Group was particularly proud to have initiated and led a charitable cancer awareness project in October 2012. Themed "Bald & Beautiful" - this inaugural effort saw 177 employees and business associates helped raise over RM200,000 by going bald and to show their support for cancer patients. The funds raised went to two deserving cancer charities - The Breast Cancer Welfare Association (BCWA) and The Sarawak Children's Cancer Society (SCCS). The public hair-raising feat where all 177 employees and business associates went bald was held at a leading mall in Shah Alam, Selangor. The Group is hopeful that this meaningful community project to raise awareness for cancer and funds will continue in 2013.

Looking ahead

While 2012 was marked by positive contributions from its newly-acquired businesses, the Group will continue to remain steadfast in delivering growth. In this regard, the Group will invest and spend more effort in cultivating and nurturing its ecosystem of smaller trade distributors in Malaysia who can become valuable allies in growing domestic market share. On the export front, plans are in place to penetrate new markets such as Tunisia and Morocco, thus giving the Group a foothold into the rapidly-growing North African region.

In terms of new business, the Group remains committed to exploring and investing in the energy environment-friendly sector in the new financial year. This strategic move is in anticipation of greater demand for products and services that bring less harm to the environment. It also allows the Group to diversify its revenue stream into synergistically-related businesses.

The Group through its parent company Khind Holdings Berhad is also expected to invest effort and resources in refreshing and re-energising its corporate identity to better reflect aspirations of becoming a more global company in the new financial year.

Overall, the Group anticipates 2013 to be another challenging but positive year. Nevertheless, your Board is hopeful that the entire support infrastructure within the Group will remain firmly committed to delivering yet better results.

Note of Appreciation

As the Group takes on new challenges, your Board also bids adieu to one of its long-serving Directors. Encik Md. Azmi bin Lop Yusof, an Independent Non-Executive Director has decided to relinquish his position on the Board after 14 years of faithful and valuable service to the Group. The Group will miss his counsel. We wish him well as he embarks on the next phase of his life.

Your Board acknowledges the support of various groups that have continued to render valuable assistance. From employees, auditors, legal counsel, business partners, and regulators - all of whom played their roles in making 2012 a positive one for the Group, the Board extends its warm appreciation.

The Khind Group looks forward to another year of positive performance in 2013.

CHENG KING FA
CHAIRMAN

CHENG PING KEAT
GROUP CHIEF EXECUTIVE OFFICER (CEO)

Corporate Structure



A World Brand...From Malaysia

KHIND HOLDINGS BERHAD (380310-D)





Corporate Information

Registered Office :

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 603-2264 8888
Fax: 603-2282 2733

Website Address :

www.khind.com / www.khind.com.my / www.khind.ae
www.mistral.com.my / www.mistral.com.sg
www.khindalliances.com
www.khind-systems.com / www.khindee.com
www.relitespecialty.com / www.swisher.com
www.khindelectrical.com.hk / www.khindelectrical.com.cn
www.mayer.com.sg / www.mayer.com.bn

Email Address :

khb@khindmistral.com

Share Registrars :

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 603-2264 3883
Fax: 603-2282 1886

Company Secretaries :

Kuan Hui Fang (MIA 16876)
Tan Ai Peng (MAICSA 7018419)

Stock Exchange Securities :

Main Market of Bursa Malaysia Securities Berhad
Stock Code : 7062

External Auditors :

KPMG Chartered Accountants (AF 0758)

Internal Auditors :

BDO Governance Advisory Sdn Bhd

Principal Bankers:

Citibank Berhad
DBS Bank Ltd
EON Bank Berhad
Hong Leong Bank Berhad
Kuwait Finance House (M) Berhad
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank Limited
United Overseas Bank (M) Berhad

Solicitors :

Ong & Partnership
Shearn Delamore & Co
Khor, Anuar & Khong

Profile of Board of Directors



1. Cheng King Fa
2. Cheng Ping Keat
3. Kamil bin Datuk Hj. Abdul Rahman
4. Wong Chin Mun
5. Lee Ah Lan @ Lee Keok Hooi



MR. CHENG KING FA
- Malaysian
- Founder/Chairman

Mr. Cheng King Fa, aged 74, is the Founder of the KHIND group, which commenced as a small family business 50 years ago. Under his vision and guidance, the business has grown into one of Malaysia's leading local electrical products manufacturer. With 50 years experience in the electrical industry, he provides invaluable advice to the Group on production, marketing, new product research and development.

He was appointed Executive Chairman of the Group on 20 April 1998 prior to the Company's listing on the Second Board of Bursa Malaysia Securities Berhad on 12 August 1998. On 1 March 2005, he was re-designated as Founder/Chairman.

He has no convictions for any offence within the past ten years and has no conflict of interest with KHIND. In 2012, he attended all five meetings of the Board. He is the father of Mr. Cheng Ping Keat.

MR. CHENG PING KEAT
- Malaysian
- Group Chief Executive Officer

Mr. Cheng Ping Keat, aged 52, was appointed as the Executive Director of KHIND on 20 April 1998. He graduated with a Bachelor of Commerce degree from the University of Melbourne, Australia in 1984. Post graduation, he had a short stint in audit, accountancy and receivership, both locally and abroad. He joined the KHIND group in September 1987. In 1996, he obtained his Master of Business Administration from Bath University, U.K.

He was appointed and designated as the Group Chief Executive Officer of the KHIND Group on 18 November 2003. He is now responsible for the overall strategic planning and operations relating to manufacturing, marketing, financial, export management and brand building for the KHIND Group.

He has no convictions for any offence within the past ten years and has no conflict of interest with KHIND. In 2012, he attended all five meetings of the Board. He is the son of Mr Cheng King Fa.



**EN. KAMIL BIN DATUK HJ.
ABDUL RAHMAN**
- Malaysian
- Senior Independent
Non-Executive Director
- Chairman of Audit Committee
- Member of Nomination and
Remuneration Committee

En. Kamil bin Datuk Hj. Abdul Rahman, aged 64, was appointed as an Independent Non-Executive Director of KHIND on 30 July 2001. At the same time, he became an independent member of the KHIND Audit Committee. His area of specialization is in corporate governance, corporate finance and risk management.

He was appointed as the Chairman of the Audit Committee on 5 August 2008 and as the Senior Independent Director on 31 March 2009. He is also a member of the Nomination and Remuneration Committee.

He graduated with a Bachelor of Commerce degree from the University of Otago, New Zealand and subsequently qualified as a Chartered Accountant of the Institute of Chartered Accountants of New Zealand. He is also a Fellow Chartered Secretary of the Institute of Chartered Secretaries and Administrators, United Kingdom, and a Chartered Accountant of the Malaysian Institute of Accountants.

His previous senior positions were as Senior Vice President of the Bank of Commerce (M) Berhad and as Executive Director of Commerce International Merchant Bankers Berhad. He is also a Director of Global Carriers Berhad, *Bukit Katil Resources Berhad, *WDM Holdings Berhad (*not listed on Bursa Malaysia), and the Malaysia South Africa Business Council (company limited by guarantee).

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with KHIND and has no convictions for any offence within the past ten years. He attended all five meetings of the Board in 2012.

**MR. LEE AH LAN @
LEE KEOK HOOI**
- Malaysian
- Independent
Non-Executive Director
- Member of the
Audit Committee
- Member of the Nomination
and Remuneration Committee

Mr. Lee Keok Hooi, aged 66, was appointed as a Non-independent Non-Executive Director of KHIND on 26 March 1999. He was redesignated as an Independent Director on 17 April 2013. He is a member of the Nomination & Remuneration Committee and Audit Committee of KHIND.

Mr. Lee holds a Bachelor of Commerce degree in Accounting from the University of Western Australia and is a Chartered Accountant (Malaysia) and a CPA (Australia).

He has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past ten years. He attended all five meetings of the Board in 2012.

He does not have any conflict of interest with KHIND.



MR. WONG CHIN MUN

- Malaysian
- Independent
- Non-Executive Director
- Chairman of the Nomination and Remuneration Committee
- Member of the Audit Committee

Mr. Wong Chin Mun, aged 68, was appointed as an Independent Non-Executive Director of KHIND on 19 July 2010. He holds degrees in Bachelor of Business (Secretarial Administration) and (Accounting) from Curtin University of Western Australia and has a Teacher's Certificate from the Ministry of Education, Malaysia. He is a Fellow of the Australian Society of Certified Practising Accountants (FCPA) & Associate of Malaysian Institute of Accountants.

On 19 July 2010, Mr. Wong was also appointed as an Independent Member of the Audit Committee and Nomination & Remuneration Committee. On 1 March 2011, he became the Chairman of the Nomination & Remuneration Committee.

He is currently the Chairman of Vistage Malaysia Sdn. Bhd., which has the rights for the Vistage System from Vistage International Inc., USA, aimed at assisting chief executive officers and entrepreneurs to proactively manage change and grow their businesses. He joined Nylex Malaysia Berhad ("Nylex") as Financial Controller/Company Secretary in January 1976 and became the first local General Manager/Director of Nylex in 1980. He was promoted to the position of Managing Director in 1985 and when he left at the end of June 1994 to found Vistage Malaysia, he was appointed and served as non-executive Deputy Chairman of the Nylex Malaysia Group of Companies up to October 1999.

Accredited as a Vistage Chair/Coach in USA in 1994, today he still coaches about 20 CEOs and Business Owners. He is currently the Independent Non-Executive Director of Sunway Berhad and Chairman of its Remuneration Committee as well as a Member of the Audit and Nomination Committees. He also chairs the Sunway Risk Management Committee. He was appointed to the National Branding Taskforce of the Ministry of Trade and Industry since 2006 and also served on the Technical Evaluation Panel for the Annual Prime Minister's Award. He has served on the Board of Trustees of

Scientex Foundation since 2008 and was a Member of the Board of Trustees of the Malaysian Rubber Export Promotion Council from 2000 to 2002. He was elected as a Council Member for next two years with Federation of Malaysian Manufacturers in November 2011.

He has no family relationship with any Director and/or major shareholder of KHIND and has no convictions for any offence within the past ten years. He attended all five meetings of the Board in 2012.

He does not have any conflict of interest with KHIND.

Statement on Corporate Governance

The Board of Directors of Khind Holdings Berhad recognizes the importance of good corporate governance throughout the Group as a fundamental process of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

The Board is committed to maintaining high standards of corporate governance by adopting and implementing the prescription of the principles and best practices set out in Malaysian Code on Corporate Governance 2012 ("the Code").

The Board believes that the Company has substantially followed the Principles as set out in the Code.

A. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

The Board's principal role is overseeing the overall strategic direction, development and control of the Group in an effective and responsible manner. The role of Management is to run the general business operations and activities and manage the Group's financial matters in accordance with established delegated authority from the Board. In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of all stakeholders.

Clear Roles and Responsibilities

The Board assumes the following 6 principal responsibilities:-

- (a) reviewing, adopting and monitoring the implementation of a strategic plan for the Company and its subsidiaries ("Group");
- (b) overseeing the conduct of the Group's business to evaluate whether it is properly managed;
- (c) identifying principal risks and ensuring the implementation of appropriate controls and systems to monitor and manage these risks;
- (d) succession planning including appointing, training, fixing the remuneration and where appropriate, replacing senior management;
- (e) overseeing the development and implementation of a shareholders' communication policy for the Company to ensure effective communication with its shareholders and other stakeholders; and
- (f) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines.

Other than those statutorily and regulatory required and powers accorded under Articles of Association, the following are matters reserved for Board deliberation and decision which are non-exhaustive and may be varied from time to time:-

- (a) delegation of powers to Board Committees;
- (b) receiving and approving reports and recommendations from Board Committees;
- (c) approving strategic business plans, mergers and acquisitions of a substantial value;
- (d) major investment or divestment of current businesses;
- (e) changes to the group structure;
- (f) provision of indemnities or corporate guarantees;
- (g) appointment of a senior independent director from among the members.

Formalized Ethical Standards through Code of Ethics

The Board shall observe and adhere to the Directors' Code of Ethics as set out in the Board Charter. The Group also has in place a Whistle Blowing Policy designed to create a positive environment in which employees can raise genuine concerns without fear of recrimination and enable prompt corrective action to be taken where appropriate. The Whistle Blowing Policy can be accessed on the Company's website at www.khind.com.



Statement on Corporate Governance (Continued)

Strategies Promoting Sustainability

The Board promotes good Corporate Governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. A detailed report on sustainability activities, demonstrating the Company's commitment to the global environment, social, governance and sustainability agenda, appears in the Statement of Corporate Responsibility of this Annual Report and corporate website.

Access to Information and Advice

All Directors have full and unrestricted access to information pertaining to the Company. The agenda for every Board Meeting, together with a comprehensive set of board papers are furnished to all Directors for their perusal in advance of the Board Meeting date. This is to ensure sufficient time is given to enable the Directors to review and consider the agenda items to be deliberated at the Board Meetings. The Board papers include, amongst others, quarterly financial reports, year-end financial statements of the Group, annual budget, other major operational financial and legal issues.

Corporate plans and annual budgets, acquisitions and disposals of undertakings and properties with a substantial value, major investments and financial decisions, including key policies and procedures and delegated authority limits are subject to Board approval. All deliberations in relation to matters discussed and the conclusions are recorded.

The Directors are provided with non-financial indicators like customer service performance, safety & health compliance, market information when dealing with such matters on the agenda.

The Directors have unrestricted access to advice and services of the company secretary, senior management and independent professional advisers including the external auditors, at the Company's expense.

Company Secretary

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary also ensures that deliberations at the Board meetings are recorded in the minutes.

Board Charter

This Board Charter was adopted by the Board on 17 April 2013. The Board Charter shall be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities.

The Board Charter is made available for reference in the Company's website at www.khind.com.

B. STRENGTHEN COMPOSITION

Nomination and Remuneration Committee ("NRC")

The NRC which was established on 15 November 2001 comprises three (3) members who are Independent Directors.

The members of the NRC who served during the financial year are:

Wong Chin Mun - Chairman
Kamil bin Datuk Haji Abdul Rahman - Member
Lee Ah Lan @ Lee Keok Hooi - Member
Md. Azmi bin Lop Yusof - Member (resigned on 28 December 2012)

The NRC is chaired by Mr. Wong Chin Mun and not Encik Kamil bin Datuk Haji Abdul Rahman, the Senior Independent Director and the Chairman of the Audit Committee. The Board believes that having different chairmen in the NRC and Audit Committee allows each Independent Director to carry out equitable roles and responsibilities in discharging the duties and responsibilities delegated by the Board effectively. As such, the Board has decided to maintain the current composition for these two Board Committees.

Appointments to the Board

The NRC makes independent recommendations for appointments to the Board. In making these recommendations, the NRC assesses the suitability of candidates, taking into account the character, integrity, competence, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

Statement on Corporate Governance (Continued)

B. STRENGTHEN COMPOSITION (continued)

Re-election of Directors and re-appointment of Directors who are over the age of 70

In accordance with the Company's Articles, all Directors who are appointed by the Board may only hold office until the next following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. The Articles also provide that one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to one-third, are subject to retirement by rotation at every AGM but are eligible for re-election provided always that all Directors including the Managing Director and Executive Directors shall retire from office at least once in every three years.

Pursuant to Section 129 of the Companies Act, 1965, the office of a director of or over the age of 70 years becomes vacant at every AGM unless he is reappointed by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three-fourths of all members present and voting at such AGM.

The Board has considered the assessment of Mr. Lee Ah Lan @ Lee Keok Hooi, the Director standing for re-election and Mr. Cheng King Fa, the Director standing for re-appointment and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by the Main Market Listing Requirements.

Remuneration Policies

The NRC also examines and recommends to the Board the remuneration package of the Executive Directors. The level of remuneration reflects the experience and responsibilities undertaken by the Executive Directors. The determination of the fees of the Non-Executive Directors is decided by the Board as a whole.

The details of the aggregate amount of remuneration of Directors of the Company during the year were as follows:

Directors' Remuneration & Benefit-in-Kind						
Directors	Fees RM	Salaries and allowances RM	Bonus RM	EPF- Employer Contribution @ 15% RM	Benefit-in- Kind RM	Grand Total RM
Executive Directors	-	1,218,007	407,520	232,440	175,940	2,033,907
Non-Executive Directors	192,000	34,000	-	-	12,000	238,000
TOTAL	192,000	1,252,007	407,520	232,440	187,940	2,271,907

The Board is of the view that the Directors' Remuneration disclosures by band fulfill the transparency and accountability aspects of corporate governance.

The number of Executive and Non-executive Directors whose total remuneration falls into the following bands are tabulated as follow:

Remuneration Bands	Number of Directors		
	Executive	Non-Executive	Total
Up to RM50,000	-	-	-
RM50,001 - RM100,000	-	4	4
RM700,001 – RM750,000	1	-	1
RM1,250,001 to RM1,500,000	1	-	1
Total	2	4	6



Statement on Corporate Governance (Continued)

C. REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Board has set out policies and procedures to ensure effectiveness of the Independent Directors on the Board, including new appointment. The Board assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

The Independent Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of monthly business performance.

The Board has assessed the independence of the Independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors and shareholders' approval for the re-appointment of Independent Directors who have served more than 9 years

The Code recommends that the tenure of an Independent Director should not exceed nine (9) years cumulatively. Upon completion of the nine (9) years, an Independent Director may continue to serve on the board subject to his re-designation as a Non-Independent Director. Notwithstanding that Encik Kamil bin Datuk Haji Abdul Rahman has served on the Board for more than nine (9) years, the Board proposes to retain his status as an Independent Director. The Board holds the view that a Director's independence cannot be determined arbitrarily with reference to a set period of time. The Group benefits from long serving Directors, such as Encik Kamil bin Datuk Haji Abdul Rahman, who has a strong understanding of the Group's corporate history and business, has devoted sufficient time and commitment to discharge his responsibilities as an Independent Director.

The Board has assessed Encik Kamil bin Datuk Haji Abdul Rahman to be independent in character and judgment, independent of management and free from any relationships or circumstances which are likely to affect or could appear to affect his judgment. The Board will table a proposal to retain Encik Kamil bin Datuk Haji Abdul Rahman as an Independent Director for shareholders' approval at the upcoming AGM of the Company.

Separation of Positions of the Chairman and Group Executive Officer ("Group CEO")

The positions of Chairman and Group CEO are held by two different individuals. The Chairman is responsible for the leadership of the Board and ensures effectiveness of the Board while the Group CEO manages the business and operations and implements the Board decision. The distinct and separate role of the Chairman and Group CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

Composition of the Board

The Code recommends that if the Chairman of the Board is not an independent Director, the Board must comprise a majority of Independent Directors.

The Board comprises three (3) Independent Directors and 2 Executive Directors (including the Chairman). The Chairman is the founder of the Khind Group. Under his vision and strong leadership, the Group has grown from a humble start up into one of Malaysia's leading local electrical products manufacturer with subsidiaries abroad. The Group benefits from the Chairman who possesses in-depth knowledge of the Group's businesses and has proven commitment, experience and competence to effectively discharge his responsibilities. The presence of a majority of Independent Directors provides the necessary check and balance on the conduct of the Chairman and the Group CEO.

Encik Kamil bin Datuk Haji Abdul Rahman is the Senior Independent Director to whom all concerns or queries pertaining to the Company may be conveyed by shareholders and stakeholders.

Statement on Corporate Governance (Continued)

D. FOSTER COMMITMENT

Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. During the year, four (4) Ordinary Board Meetings and one (1) Special Board Meeting were held and the attendance record of the Board members is reflected as follows:-

DIRECTORS' BOARD MEETINGS IN YEAR 2012	
Directors	Total Number of Meetings Attended by Directors
1. Mr. Cheng King Fa	5/5
2. Mr. Cheng Ping Keat	5/5
3. En. Kamil bin Datuk Hj. Abdul Rahman	5/5
4. Mr. Lee Ah Lan @ Lee Keok Hooi	5/5
5. Mr. Wong Chin Mun	5/5
6. En. Md. Azmi bin Lop Yusof (resigned on 28 December 2012)	5/5

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to update to them before the meeting of every year. It provides the scheduled dates for meetings of the Board and Board Committees as well as the AGM.

Training

The Board encourages its Directors to attend talks, seminars, workshops and conference to update and enhance their skills and knowledge to enable them to carry out their roles effectively as directors in discharging their responsibilities towards corporate governance, operational and regulatory issues. The Directors will continue to attend other relevant training programs either on their own arrangement or organized by the Company on continuous basis in compliance with Paragraph 15.08(2) of the Listing Requirements. The Directors are briefed by the Company Secretary on the letters and circulars issued by Bursa Securities at Board Meeting. All Directors have completed the Mandatory Accreditation Programme required by Bursa Securities.

Some of the trainings/courses attended by the Directors during the financial year ended 31 December 2012 are as follows:-

No	Course Title	Date
1.	Foreign Exchange Outlook and Economic Seminar – Insight into the Global Economy Facing an Uncertain Future	9 January 2012
2.	Update on World Economy & Malaysia and Tips on Stock Investment	13 April 2012
3.	Building a High Performance Team	8 June 2012
4.	Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012	18 June 2012
5.	Copycat Innovation	13 July 2012
6.	Colloquium on Human Resource Policies for High Income Economy	24 July 2012
7.	Sunway Manager Conference	18 October 2012
8.	Briefing on Competition Act	24 October 2012
9.	2012 Vistage CEO Summit	29 October 2012
10.	FMM National Manufacturing Conference 2012	27 November 2012



Statement on Corporate Governance (Continued)

E. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance and Applicable Financial Reporting Standards

In presenting the annual audited financial statements and quarterly results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The Directors are responsible for ensuring that the financial statements are prepared in accordance with the provision of the Companies Act, 1965 and approved accounting standards, subject to any explanations and material departures disclosed in the notes to the financial statements.

The Board is assisted by the Audit in overseeing the Group's financial reporting process to ensure accuracy, adequacy of all relevant information of disclosure and quality of the financial reporting. The financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board before releasing to Bursa Securities. The Board has taken due care and reasonable steps to ensure that the requirement of accounting standards and relevant regulation were fully complied.

Assessment of Suitability and Independence of External Auditors

The Board has maintained an appropriate and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the Audit Committee Meetings to facilitate the exchange of view on issues requiring attention.

A full Audit Committee report enumerating its role in relation to the Auditors is set out in pages 30 to 34 of this Annual Report.

For the financial year ended 31 December 2012, the amount of non-audit fees paid/payable by the Company to the External Auditors amounted to RM57,000.00.

F. RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risk

The Board acknowledges that it is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets as required by the Code. The Group adheres to Bursa Securities' Statement on Internal Control; Guideline for Directors of Listed Issuer, as guidance for compliance with these requirement.

The Group's Statement on Risk Management and Internal Control is set out in page 28 to 29 of this Annual Report.

Internal Audit Function

The Board acknowledges the importance of the internal audit function and has outsourced to consultant, as part of its efforts in ensuring that the Group's systems of internal control are adequate and effective. The internal audit activities of the Group are carried out according to an annual audit plan approved by the Audit Committee.

The internal audit function was performed by an external consultant during the year to identify and assess the principal risks and to review the adequacy and effectiveness of the internal controls of the Group. Areas for improvement were highlighted and the implementation of recommendations was monitored. The results of the internal audit assessment are reported periodically to the Audit Committee.

G. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies

The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information. These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decision.

Statement on Corporate Governance (Continued)

G. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (continued)

Corporate Disclosure Policies (continued)

The Company is guided by the Corporate Disclosure Guide issued by Bursa Securities with the consultation of the Company Secretary, advisers and/or other service providers. However, the Board of Directors will review the necessity for formalising an internal corporate disclosure policies and procedures if required.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relation section enhances the Investor Relations function by including all announcements made by the Company. The announcement of the quarterly financial results is also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

H. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

The Company provides information to the shareholders with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint a proxy and also the qualifications of a proxy.

To further promote participation of members through proxy(ies), which is in line with the insertion of Paragraph 7.21 of the Main Market Listing Requirements, the Company had on the last AGM, amended its Articles of Association to include explicitly the right of proxies to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow and restriction on proxy's qualification.

Encourage Poll Voting

At the commencement of the AGM, the Chairman shall inform the shareholders the substantive resolutions put forth for shareholders' approval and encourage the voting of all substantive resolutions by polling pursuant to the Code. To assist the shareholders in exercising their rights, the Chairman shall read out the provisions of the Articles of Association on the shareholders right to demand a poll vote.

Effective Communication and Proactive Engagement

In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely, and continuing disclosures of information to its shareholders as well as to the general investing public. The practice of disclosure of information is not just established to comply with the requirements of the Main Market Listing Requirements pertaining to continuing disclosures; it also adopts the best practices as recommended in the Code with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis.

The Annual Report is the main channel of communication between the Company and its shareholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the Main Market Listing Requirements.

Another key avenue of communication with its shareholders is the Company's AGM, which provides a useful forum for shareholders to engage directly with the Directors. The Company sends the Notice of AGM and the Annual Report to shareholders at least twenty-one (21) days before the meeting.



Statement on Corporate Governance (Continued)

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Main Market Listing Requirements of Bursa Securities:

1. **Utilisation of proceeds**
There were no corporate proposals announced at the date of this annual report.
2. **Share Buybacks**
During the financial year, there were no share buybacks by the Company.
3. **Option, Warrants or Convertible Securities**
There were no options, warrants or convertible securities issued by the Company during the financial year.
4. **Depository Receipt Programme**
During the financial year, the Company did not sponsor any Depository Receipt Programmes.
5. **Sanctions / Penalties**
There were no sanctions and/or penalties (that were made public) imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.
6. **Profits estimates, forecast or projection**
There was no material variance between the results of the financial year and the unaudited results previously released by the Company. The Company did not release any profit estimate, forecast or projection during the financial year.
7. **Profit guarantee**
No profit guarantee was given by the Company during the financial year.
8. **Material Contract**
There were no material contracts entered into by the Company or its subsidiaries involving Directors or major shareholders' interests during the financial year.
9. **Employee Share Scheme**
The Company does not have an Employee Share Scheme in existence.
10. **Recurrent Related Party Transaction (RRPT)**
The Group had made full disclosures on the Related Party Transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of business of the Company and its subsidiaries. The details set in the Recurrent Party Transaction are disclosed in Note 30 of the financial statements.

Statement on Corporate Responsibility

CORPORATE RESPONSIBILITY (CR) has been defined by Bursa Malaysia CSR Framework as open and transparent business practices, based on the ethical values and respect for employees, communities and the environment.

The Khind Group CR activities focus on four main areas: community; education; environment; and the workplace. CR is about delivering benefits to our local community, employees, stakeholders, shareholders and global environment via our business operations.

The Khind Group has drawn up a CR Action Plan for three years from 2011 to 2013 and all Khind subsidiaries will contribute 2% of their annual profits towards a CR Budget which will be used solely for the four areas highlighted earlier.

In 2012, Khind Group undertook the following CR activities:

1. Community

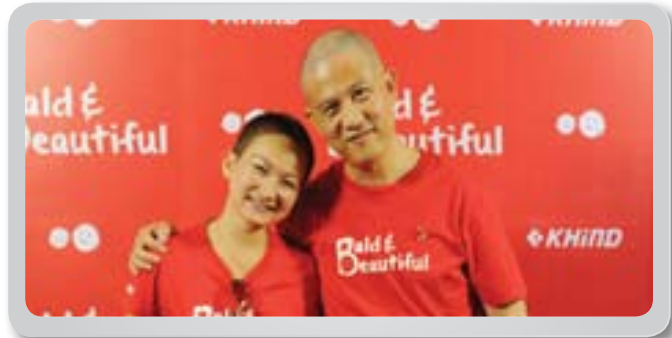
“Bald and Beautiful Charity Campaign” raising awareness for cancer

More than 170 Khind staff (including its Group CEO, COO and some General Managers), customers and suppliers shaved their heads bald to raise funds and awareness for cancer on 11 October 2012 at Setia City Mall. Titled “Bald and Beautiful”, this initiative was to raise awareness for breast cancer and children with cancer that is affecting many Malaysians. In addition to the 170 Khind staff, the Khind Group’s entire staff base was also involved in helping raise funds on behalf of their fellow-colleagues who were going bald. Khind raised RM200,000 which was donated to The Breast Cancer Welfare Association (BCWA) and The Sarawak Children Cancer Society (SCCS) equally.





Statement on Corporate Responsibility (Continued)



Statement on Corporate Responsibility (Continued)

2. Caring for local communities

Kind subsidiaries and staff actively participated in various local community projects in volunteerism efforts to help makes lives better.

Kind Malaysia staff participated in monthly visits to a Klang mentally challenged and handicapped children's home; quarterly visits to Kechara Soup Kitchen to help provide meals for the homeless in the Klang Valley area. During festive seasons, staff members also brought children from various orphanages in Sekinchan and Kuala Selangor are to purchase new clothes and shoes.

Regionally, Kind's Hong Kong staff visited old folks and brought rice dumplings during the autumn festive season, while Kind Singapore staff brought food and spent time at 3 old folks home.

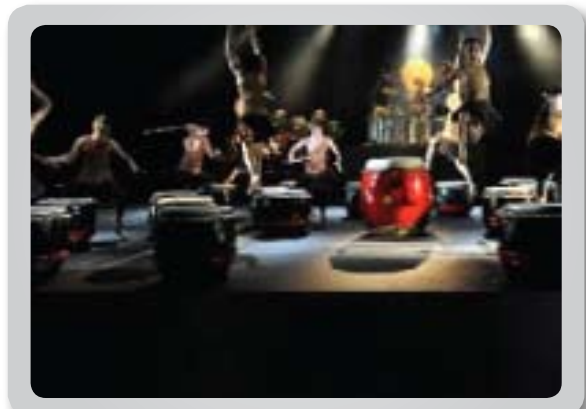




Statement on Corporate Responsibility (Continued)

3. Caring for the Environment

As part of Khind's contribution to environmental protection, the Company constructed a recycling center in Sekinchan in 2011. The recycling centre was officially opened on 7th April 2012. The recycling center will be managed by volunteers from the Tzu Chi Foundation (TZ), an international non-governmental organization (NGO). There are more than 30 TZ volunteers who participated in the recycling activity on a weekly basis, where the volunteers collected recyclables from the nearby residential houses, restaurants and even river banks around Sekinchan. The center also served as an educational stop for nearby schools and kindergartens to help reinforce the message of caring for the environment.



4. Promotion of Arts and Culture

To promote local arts and culture, Khind was a proud sponsor for Hands Percussion. Hands Percussion is a well-known arts troupe using various types of drum instruments for performances. In 2012, Khind sponsored two (2) Hands Percussion performances entitled: "Songs of the Wonderers", and "Kaleidoscope II"



5. Work place

Khind believes its greatest assets are its employees. The Company implemented following activities for its staff:

a) Training and education assistance programme

Khind allocated 3% of its annual basic payroll into an annual training budget to enhance skills and knowledge among its employees. Additionally, Khind also offered education assistance schemes to encourage staff to further academic studies.

b) Tabung Amal

A general fund was established by Khind to provide financial aid to less fortunate employees working at its manufacturing plant in Sekinchan.

c) Safety and health programme

Every year, Khind's Safety and Health Committee organises various events such as: health checks for employees, blood donation campaign for the National Blood Bank, annual training of operating forklift drivers, fire and evacuation preparedness in areas such as the correct use of fire extinguishers, safety audits, and other practices to ensure appropriate occupational safety practices are followed.

d) Employee volunteerism

To encourage employees to volunteer for CR initiatives, Khind provides all employees a maximum of three (3) work days per year to carry out volunteer work on external CR activities which are approved by the Company.

e) Sports and social club

Khind established a Khind Wellness Center at its Shah Alam office in 2012. The centre provides gym equipment, table tennis table, and holds yoga classes to encourage staff to lead a healthier lifestyle. The sports club committee also organized various outdoor trips and sports game (such as bowling and badminton) for employee to participate and foster better teamwork among various departments.



Statement on Risk Management and Internal Control

The Board of Directors (“Board”) is pleased to provide the following statement that was prepared in accordance with the revised guideline, namely the “Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers”, which outlines the nature and scope of risk management and internal control of the Group during the financial year under review.

The system of risk management and internal control covers financial, operational and compliance controls, all other policies and procedures as well as risk management, both local and foreign, to achieve the following objectives:

- Safeguard assets of the Group and shareholders’ interest;
- On-going process for identifying, evaluating and managing significant risks encountered or potentially to be encountered by the Group;
- Compliance with regulatory requirements; and
- Operational results are closely monitored and substantial variances are promptly explained.

BOARD RESPONSIBILITY

The Board is responsible for maintaining a sound and effective risk management and internal control system for the Group, and for reviewing the adequacy and integrity of these systems to safeguard shareholders’ investment and the Group’s assets. However, in view of the limitations that are inherent in any system of risk management and internal control, such systems are designed to manage, rather than eliminate, the risk of failure to achieve the policies and business objectives of the Group. Accordingly, these systems can only provide reasonable, and not absolute, assurance against material misstatements, losses, fraud or breaches of laws or regulations. It should be further noted that the cost of the system should not outweigh the benefits.

Management’s Accountability

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal controls as prescribed above. Periodically, the Group Chief Executive Officer and Chief Financial Officer have provided the Board with assurance that the internal control system of the Group is operating adequately and effectively in all material aspects to ensure achievement of corporate objectives.

RISK MANAGEMENT

The Board is ultimately responsible for the overall management of risk. Its responsibilities include reviewing and ensuring adequacy of risk management policies and procedures, reviewing risk exposures and ensuring infrastructure, resources and system are in place for risk management activities.

The Board is supported by the Audit Committee whose responsibility is to provide an independent assessment on the adequacy and reliability of the risk management processes and internal controls as well as compliance with risk policies and regulatory requirements.

At the forefront, the management of operating units are responsible for identification and management of risks within their operations.

Risk Appetite and Risk Management Process

The development and documentation of risk appetite and risk management processes are in progress and the Board will report on the said development in due course.

INTERNAL CONTROL SYSTEM

The Group’s system of internal controls comprises the following key elements:

- **Term of reference**
Clear definition of the terms of reference, i.e. functions, authorities and responsibilities, of the various committees of the Board has been established.
- **Control procedures**
Operating Procedures Manuals that set out the policies, procedures and practices are adopted by all the companies in the Group to ensure clear accountabilities and control procedures are in place for all business units.



Statement on Risk Management and Internal Control (Continued)

INTERNAL CONTROL SYSTEM (continued)

- **Organisational structure and accountability levels**

The Group has a defined organisational structure with clear lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.

The Board relies on the Group Chief Executive Officer and Chief Operating Officer with relevant industry experience to run and manage the operations and business of the Group.

- **Budgeting, Reporting and Review**

The Group prepares comprehensive budgets that roll up into an annual budget that is approved by the Board prior to the commencement of the financial year. The management team performs monthly monitoring and review of financial results and forecasts for all businesses within the Group. Actual results are then compared with budgeted results and any significant matter is brought forward for the Board's consideration and decision at least on a quarterly basis.

- **Independence of the Audit Committee**

The Audit Committee comprises non-executive members of the Board who are majority independent directors. The Committee holds regular meetings to deliberate on findings and recommendations and reports back to the Board.

- **Internal Audit**

The Board has outsourced the internal audit function to BDO Governance Advisory Sdn Bhd ("BDO GA"), with the primary objective of assisting the Board in reviewing the adequacy and integrity of the Group's system of internal controls to manage the risk areas faced by the Group. The audit findings, recommendations for improvement and status of actions taken by the management to address the issues were reported to the Audit Committee. The annual fees incurred for the internal audit function is RM70,000.

The scope of work undertaken by BDO GA during the financial year 2012 is as below:

- Developed an Internal Audit Plan for 2012 using a risk-based approach to support and execute internal control reviews;
- Conducted four (4) Internal Control Reviews for the year, namely:
 - (i) Inventory management for Khind-Mistral Industries Sdn Bhd,
 - (ii) Consignment sales for Khind-Mistral (M) Sdn Bhd,
 - (iii) Sales to receipt and inventory management for Khind Electrical (Hong Kong) Limited,
 - (iv) Inventory/warehouse management and sales cycle for Mayer Marketing Pte Ltd; and
- Presented audit findings to the Audit Committee of KHIND during its quarterly meetings.

- **Management Visits**

Senior management of the Group conducts regular visits to the operating bases to review and gain a better understanding of the operations.

CONCLUSION

The Board is of the view that the internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the Group's assets and the interests of customers, regulators and employees.

During the year, a number of improvements to internal controls were identified and addressed. There have been no significant weaknesses noted which have resulted in any material losses. The Group will continue to take the necessary measures to further strengthen its internal control systems.

This statement is made in accordance with a resolution of the Board of Directors dated 17 April 2013.

Audit Committee Report

1. MEMBERSHIP AND MEETINGS

The Audit Committee (“AC”) comprises three (3) members who are Independent Non-Executive Director.

Every member of the AC viz. the Chairman, Mr. Lee Ah Lan @ Lee Keok Hooi and Mr. Wong Chin Mun, has accounting and financial qualifications.

The AC met four (4) times during the financial year and the attendance is detailed below:-

Members	Total Number of Meetings Attended by Directors
<i>Independent Non-Executive</i>	
Kamil bin Datuk Hj. Abdul Rahman (Chairman)	4/4
Wong Chin Mun	4/4
Lee Ah Lan @ Lee Keok Hooi (Re-designated as an Independent Director on 17 April 2013)	4/4

2. TERMS OF REFERENCE

A. Composition of the AC

- (1) The AC shall be appointed by the Board of Directors (“BOD”) from amongst their members and shall consist of at least three (3) members.
- (2) All AC members must be Non-Executive Directors with a majority of them being Independent Directors.
- (3) At least one (1) of the AC:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:-
 - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants act 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountant Act 1976; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- (4) No alternate Director(s) shall be appointed as member(s) of the AC.
- (5) The members of the AC shall elect a Chairman from amongst its members who shall be an Independent Director.
- (6) The Board shall review the term of office and performance of the AC and each of its members at least once in every 3 years to determine whether the AC and members have carried out their duties in accordance with the Terms of Reference.



Audit Committee Report (Continued)

2. TERMS OF REFERENCE (continued)

B. Meetings

(1) Quorum

The quorum for the meeting of the AC shall be two (2) members, the majority of whom must be Independent Directors. If at any meeting, the Chairman of the AC is not present within fifteen (15) minutes of the time appointed for holding the same, the members of the AC present shall choose one of their number who shall be an Independent Non-Executive Director to be Chairman of such meeting.

(2) Frequency of Meeting

At least four (4) meetings are held in a year. However, meetings are also held as and when required or upon the request of the external auditors to consider any matters that the external auditors believe should be brought to the attention of the Directors and /or shareholders.

(3) Notice and Venue

The notice of the AC meetings shall be circulated before each meeting to members of the AC. Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the member either personally or by fax or e-mail or by post or by courier to his registered address as appearing in the Register of Directors or to the address provided by the Audit Committee member, as the case may be.

The Audit Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the Audit Committee members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting.

(4) Meetings

The Chairman shall report on each meeting to the Board. The Company Secretary or such substitute as appointed by the Board or AC from time to time shall be the Secretary of the AC.

Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman of the AC shall have a second or casting vote.

(5) Attendance at Meeting

The presence of external auditors and internal auditors at any meeting of the AC can be requested if required by the AC.

Other members of the Board and Management may attend the meeting (specific to the relevant meeting) upon the invitation of the AC.

C. Keeping and Inspection of Minutes

The Company shall cause minutes of all proceedings of the AC Meeting to be entered in books kept for that purpose.

Those minutes to be signed by the Chairman of the AC Meeting at which the proceedings were had or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates.

The books containing the minutes of proceedings of the AC Meeting shall be kept by the Company at the Registered Office or any other place as may be determined by the Board and shall be open to the inspection of any members of the Board of Directors or AC members without charge.

Audit Committee Report (Continued)

2. TERMS OF REFERENCE (continued)

D. Circular Resolution

The AC is also allowed to carry out their resolutions by way of Circular Resolution. A resolution in writing signed or approved via letter, telex, facsimile, email by all Committee members shall be effective for all purposes as a resolution passed at a meeting of the Audit Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

E. Power and Authority of the AC

The AC shall in accordance with the procedure determined by the Board and at the cost of the Company:-

- (a) have authority to investigate any matter within the terms of reference;
- (b) have the resources which the AC requires to perform its duties;
- (c) have full and unrestricted access to any information which the AC requires in the course of performing its duties;
- (d) have direct communication channels with the external auditors and person carrying out the internal audit function;
- (e) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
- (f) be able to convene meetings with the external auditors, internal auditors or both without the attendance of other directors and employees of the Company, whenever deemed necessary.

F. Duties and Responsibilities of the AC

The following are the main duties and responsibilities of the AC collectively:-

- (a) To review the nomination of external auditors and the external audit fee;
- (b) To discuss with the external auditors, the nature, scope and quality of external audit plan/arrangements;
- (c) With the external auditors, to review the evaluation of the systems of internal control;
- (d) To review quarterly results and year-end financial statements of the Company, prior to approval by the Board, focusing in particular on
 - compliance with accounting standards and legal/regulatory requirements;
 - changes in accounting policies and practices;
 - significant issues and unusual events;
- (e) To review the external auditors' audit report on the financial statement;
- (f) To review any management letter sent by the external auditors to the Company and Management's response to such letter;
- (g) To review any letter of resignation from the external auditors;
- (h) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- (i) To review the assistance given by the Company's officers and Management to the external auditors;
- (j) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss.
- (k) To establish policies and procedures to assess the suitability and independence of external auditors;



Audit Committee Report (Continued)

2. TERMS OF REFERENCE (continued)

F. Duties and Responsibilities of the AC (continued)

- (l) To review and monitor suitability and independence of the external auditors;
- (m) To establish policies and procedures in governing circumstances for contracts of non-audit services to be entered with external auditors;
- (n) To obtain written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements;
- (o) To review the effectiveness and competency of the internal audit function;
- (p) To review the internal audit programme and results of the internal audit process or investigation undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function;
- (q) To review the follow up actions by Management on the weakness of internal accounting procedures and controls;
- (r) To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (s) To review the assistance and co-operation given by the Company's officers and Management to the internal auditors;
- (t) To review any appraisal or assessment of the performance of the internal auditors, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgment issues;
- (u) To review any letter of resignation from internal audit staff and provide the internal auditors an opportunity to submit reasons for resigning;
- (v) To review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (w) Assist the Board in identifying the principal risks in the achievement of the Company's objectives and ensuring the implementation of appropriate systems to manage these risks;
- (x) To report to Bursa Securities on any matter reported by the Board of the Company which has been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities; and
- (y) To carry out any other function that may be directed by the Board from time to time.

G. Retirement and Resignation of Member of AC

A member of the AC who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

In the event of any vacancy in the AC resulting in the non-compliance with Para 15.09(1) of the Main Market Listing Requirements, the Company shall fill the vacancy within three (3) months.

Audit Committee Report (Continued)

3. INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to BDO Governance Advisory Sdn. Bhd. Our Internal Auditors have developed an annual audit plan to support and execute internal control reviews. The internal audit function includes the conduct of follow-up reviews on the status of implementation of recommendations agreed by Management in the earlier audits and the conduct of four (4) internal control reviews for 2012. The Internal Auditors would present an internal audit report to the AC on a quarterly basis or when required. The Internal Auditors would also provide feedback to the Board of Directors, AC and Senior Management in respect of corporate governance issues in the course of their internal audit reviews.

During the financial year ended 31 December 2012, the Internal Auditors have carried out reviews on the following business processes:-

- Inventory management of the Manufacturing Division;
- Consignment sales management of the Trading Division;
- Sales to receipts, sales cycle, inventory and warehouse management of the newly acquired business entities.

The total cost incurred for outsourcing of the internal audit function of the Group during the financial year ended 31 December 2012 amounted to RM70,000.

4. ACTIVITIES OF THE COMMITTEE

In 2012, the AC held four (4) meetings as scheduled in their corporate calendar, to discuss and consider each of the draft quarterly result announcements, final accounts and the 2011 annual report before recommending for approval by the Board.

Similarly, the statutory accounts for the previous year and the various accounting provisions required were reviewed to ensure due compliance with group policies and the appropriate accounting standards.

As part of the process, the AC also discussed the annual audited financial statements with the external auditors as well as their findings and recommendations. The AC also assessed the effectiveness of the system of internal controls in the areas audited and discussions are held before approval of the Annual Internal Audit Memorandum.

The AC consistently reviewed the terms and procedures of the Recurrent Related Party Transactions ("RRPTs") on a quarterly basis during their meetings, to ensure that RRPTs are carried out under normal commercial terms which were not prejudicial to the interests of minority shareholders.

The AC regularly reviews the status of fraud risk, risk management, safety and health activities, legal cases, related party transactions and all relevant financial and tax issues to ensure due compliance with the rules and regulations of various authorities.



Financial Statements 2012 annual report



Five-year Financial Highlights

Year Ended 31 December

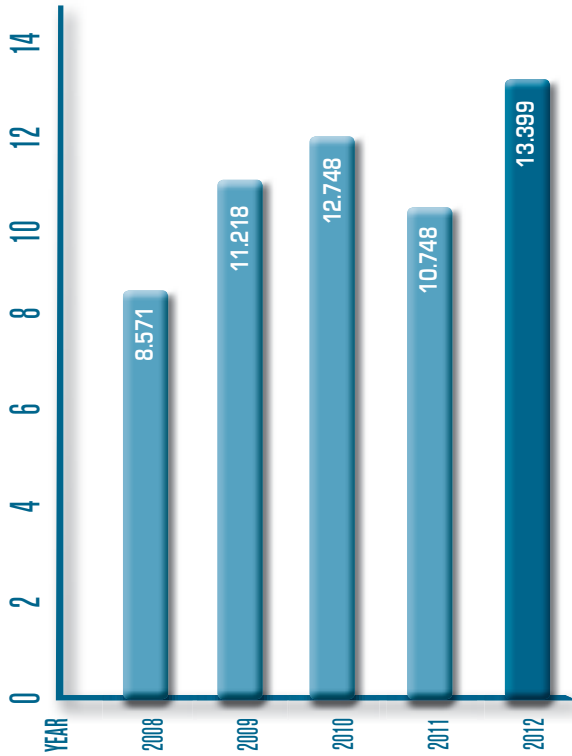
In RM'000	2008	2009	2010	2011	2012
Revenue	185,361	183,601	196,025	241,850	288,591
Profit before tax	8,571	11,218	12,748	10,748	13,399
Profit for the year	7,637	8,061	8,318	7,867	10,607
Profit attributable to owners	7,660	8,061	8,318	7,867	10,607
Total equity attributable to owners	67,614	71,583	76,496	82,002	90,794
Total assets	126,889	125,625	150,950	179,627	210,975
Total borrowings	26,717	24,900	40,017	50,275	66,705
Basic earnings per share (sen)	19.12	20.12	20.76	19.64	26.48
Net assets per share (RM)	1.69	1.79	1.91	2.05	2.27
Return on equity attributable to owners	11.3%	11.3%	10.9%	9.6%	11.7%
Return on total assets	6.0%	6.4%	5.5%	4.4%	5.0%
Debt equity ratio	0.4	0.3	0.5	0.6	0.7



Financial Statements

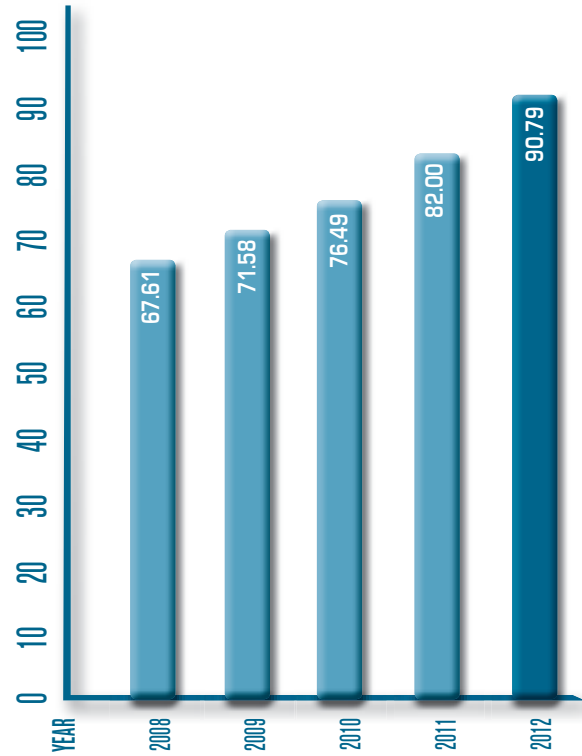
Profit Before Income Tax

RM Million



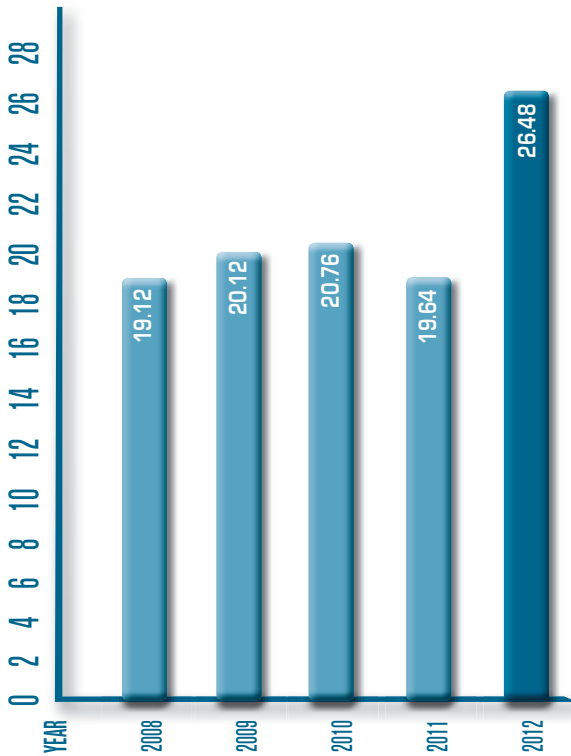
Shareholders' Funds

RM Million



Earnings Per Share

RM



Group Turnover

RM Million

